Distr.
GENERAL

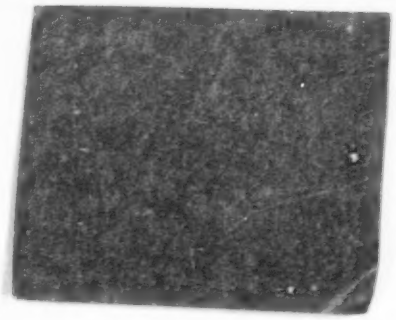
GC.7/14
IDB.17/18
9 June 1997

United Nations Industrial Development Organization

ORIGINAL : ENGLISH

**GENERAL CONFERENCE**
Seventh session
Vienna, 1-5 December 1997

**Industrial Development Board**
Seventeenth session
Vienna, 23-27 June 1997
Item 12 (d) of the provisional agenda



# THE REGIONAL DIMENSION: REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN

## UNIDO activities in Latin America and the Caribbean

Report by the Director-General

**Summary**

Provides information on UNIDO activities in the region, with particular reference to industrial development policies and strategies and promotion of cleaner industry, and on regional and subregional activities.

CONTENTS

| | | *Paragraphs* | *Page* |
|---|---|---|---|
| Introduction | | 1 | 2 |
| **Chapter** | | | |
| I. | INDUSTRIAL POLICIES AND STRATEGIES | 2 - 5 | 2 |
| II. | PROMOTION OF CLEANER INDUSTRY | 6 - 7 | 2 |
| III. | OTHER ACTIVITIES | 8 - 14 | 2 |
| IV. | COORDINATION WITH MEMBER STATES | 15 | 3 |
| V. | ACTION REQUIRED OF THE BOARD | 16 | 3 |

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.97 24339 (E) (a:\1997\pmo)

Distr.: 11 June 1997

## Introduction

1. In response to resolution GC.6/Res.14 adopted by the General Conference at its sixth session, the Latin America and Caribbean programme has concentrated on the activities, projects and programmes described in the following paragraphs.

## I. INDUSTRIAL POLICIES AND STRATEGIES

2. With a generally improved macro-economic environment in the countries of the region, a renewed emphasis has been given to the achievement of industrial competitiveness. While industrial policy has generally moved away from industrial targeting, there is a need for a strategic vision to guide the development of the industrial sector and its component subsectors, as well as for the establishment of a policy context, and an institutional and administrative framework which facilitates the development of small and medium industries (SMIs). The development of small and medium enterprises (SMEs) is an important component of strategies to reduce poverty in Latin American countries. To help address the need for support in strategy formulation, UNIDO held seminars in Montevideo and Lima, from 5 to 8 August 1996, that provided information and assessments of industrial strategies and policies which have been successfully implemented in other regions. Through the project "Programa VISION 2020", UNIDO also contributed to the development of a medium-term national industrial strategy in Mexico. This work was undertaken in close cooperation with Mexico's National Chamber of Industry. Similar work was carried out with the Ministries of Industry in Bolivia, Haiti, Honduras and Panama.

3. For the Mercosur countries and in cooperation with the Inter-American Development Bank, UNIDO has begun the formulation of a technical cooperation programme aimed at enhancing the competitiveness of agro-industrial SMEs. After finalizing an assessment of the region's industrial competitiveness in food production and distribution, SMEs will be selected and promoted in a range of subsectors. The programme aims at improving the quality of products, increasing productivity and generally enhancing the competitiveness of such firms by integrating the attainment of consumer satisfaction with efficiency and profitability. The programme will include an assessment for the application of product certification procedures and the quality system.

4. In a separate initiative, issues of food safety were evaluated in four Central American countries. This work was based on the approach applied in the high-impact programme on the application of quality principles to the food-processing sector in African countries. Following this preparatory work a project covering the four Central American countries was elaborated for which financing is being sought.

5. A programme was initiated in early 1996 to strengthen industrial investment cooperation in the Andean Pact subregion. The programme will be carried out in close cooperation with the Andean Finance Corporation (CAF). A project document was prepared by a UNIDO consultant and presented to CAF for consideration. The main objective is to improve the quality of industrial investment projects in order to enhance business cooperation within Andean Pact countries.

## II. PROMOTION OF CLEANER INDUSTRY

6. UNIDO has already helped to establish National Cleaner Production Centres in Brazil and Mexico. Strong interest has been expressed by other Governments in the region for the expansion of the programme. The opportunities available for such expansion are currently under study. Such centres are headed by a national director, who creates a network of people and organizations in the country with knowledge of cleaner industrial production. In addition to providing assistance to policy makers, the centres also seek to initiate application of the concept in companies and undertake demonstration projects, training and dissemination of information. Work continued in the environmental field at the project level, for instance in the project on waste minimization demonstration and policy advice in Ecuador. Funded by the United Nations Development Programme, the purpose of this project is to provide advice on promoting industrial eco-efficiency and competitiveness for Ecuador's Presidential Environmental Advisory Commission, the Ministry of Industry and the Chamber of Industry. The project has sought to demonstrate, in a selected subsector, that waste minimization is possible in the short term and that it has financial as well as environmental benefits.

7. In response to the growing demand for assistance to the artisanal mining sector, UNIDO presented in 1995 the high-impact programme for introducing new technologies for abatement of global mercury pollution. UNIDO provided assistance to Venezuela in introducing new technologies to reduce the environmental impact caused by mercury pollution.

## III. OTHER ACTIVITIES

8. Within the framework of regional and subregional integration agreements UNIDO initiated activities for the development of a joint UNIDO/Mercosur programme. UNIDO's role in providing assistance in the formulation of policy was increasingly recognized and related projects have been implemented in the region. UNIDO activities in the Andean Pact countries are mainly concentrated on support strategies in the field of SMEs, agro-industries,

textile industries and implementation of the Montreal Protocol.

9. Work has continued on the regional programme for the development of industrial subcontracting in Latin America. The emphasis is now on consolidating subcontracting efforts at the regional level. To this end, among other activities, two regional subcontracting fairs are held yearly. The overall objective has been to establish a regional system of industrial subcontracting covering Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Mexico, Paraguay, Peru, Uruguay and Venezuela. The project has designed and developed standard technical, economic, commercial, informatics and legal instruments necessary for the establishment of a regional system, and has given assistance to national counterpart institutions in establishing subcontracting and partnership exchanges (SPXs). The project has also set up a regional network of computerized SPXs. To date 28 SPXs have been established and industrial surveys on subcontracting capacities have been completed. Relevant software has been developed by UNIDO and transferred to all participating countries. Surveys have been undertaken on the legal, tax and customs problems encountered in international subcontracting operations, and model contracts for subcontracting agreements have been drafted. The national delegations to the programme also adopted UNIDO's proposal for the creation of a Latin American association of subcontracting exchanges. Subcontracting is also the focus of a programme initiated under trust fund arrangements to establish a subcontracting network in Colombia.

10. Within CARICOM (the Caribbean Community) UNIDO has initiated a programme to assist SMEs in the region to increase their role as suppliers of inputs to the region's rapidly expanding tourism sector. Several national surveys were completed during 1996 and the programme will be expanded to other countries of the region and some Caribbean islands. Close cooperation is foreseen with agencies working in this field, such as the World Tourism Organization and the Caribbean Tourism Organisation. Preparations have begun for a related investment meeting to be held in the second half of 1997.

11. Regional projects fulfilling the quality criteria for donor financing have been developed. A pilot project carried out in the field of women's participation in the manufacturing sector, which was implemented in Colombia in 1996, attracted the interest of potential donors for similar programmes, one of which is now being developed for Mercosur countries. Other projects are being elaborated for submission to the Global Environment Facility in the area of efficient industrial use of energy.

12. Within the framework of the regional programme for the agenda for industrial modernization in Central America, a set of technical cooperation projects was developed in cooperation with national chambers of industries from the countries of the subregion. Other programmes were initiated to strengthen economic cooperation among the countries of the region and Mexico, particularly in the field of technology and investment promotion. Assessments were made for the design of national/regional strategies for SME sectoral networking. This work, funded from the UNIDO regular budget, aimed at identifying and assessing the required conditions and the actions to be taken for the design and implementation of national and regional strategies for the organization and development of sectoral clusters of SMEs. In addition to country-specific seminars, surveys were undertaken of the SME sector, ongoing SME programmes, and institutions and associations addressing SME requirements. The findings of these surveys were analysed with representatives of local associations of entrepreneurs, national authorities and SME institutions.

13. UNIDO received a request from Peru to carry out a second phase of a project on privatization to be financed by Japan. Further assistance is being provided in investment promotion to ICSA (Inversiones COFIDE S.A.) through a project which is scheduled to start in June 1997. During the Director-General's visit to Peru in August 1996 the Government requested UNIDO assistance to develop an industrial support strategy. A document has since been prepared on a UNIDO-Peru cooperation framework. Agreements have been signed with the Government of Argentina to carry out projects in which UNIDO will assist in the development of regulatory frameworks in the mining and automotive industries, and within the privatization processes in Peru.

14. The investment promotion forum for sugar and sugar-related industries for GEPLACEA (the Group of Latin American and Caribbean Sugar Exporting countries) member States was held in 1996 with the main objective of expanding industrial production and industrial cooperation with foreign enterprises.

## IV. COORDINATION WITH MEMBER STATES

15. Frequent meetings with representative of the Group of Latin American and Caribbean Countries (GRULAC) were carried out at UNIDO Headquarters. A detailed briefing was given in February 1997 and informal consultations with the Vienna-based Permanent Missions took place frequently. As agreed with GRULAC, the envisaged regional meeting for the purpose of reporting on progress made and to present further goals for reorientation will be organized within the framework of the Regional Forum on Industrialization in Caracas in July 1997.

## V. ACTION REQUIRED OF THE BOARD

16. The Board may wish to take note of the information provided in the present document.